FILED
7-22-16
09:37 AM

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Own Motion to Conduct a Comprehensive Examination of Investor Owned Electric Utilities' Residential Rate Structures, the Transition to Time Varying and Dynamic Rates, and Other Statutory Obligations.	Rulemaking 12-06-013 (Filed June 21, 2012)

ADMINISTRATIVE LAW JUDGE'S RULING REGARDING BILL COMPARISONS AND DIRECTING UTILITIES TO DEVELOP PLANS FOR ENGAGING NEW CUSTOMERS

Summary

This ruling sets forth details on requirements for the bill comparisons required by Decision (D.) 15-07-001. This ruling also directs the investor-owned utilities to develop plans for engaging with new customers that will inform each new customer of tariff choices and assist each new customer in choosing an appropriate rate.

1. Background

Early in this rulemaking, the parties developed a set of rate design principles which were then adopted by the California Public Utilities Commission (Commission) in 2014.[1] These rate design principles address the

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[1] *See* Decision 14-06-029, Ordering Paragraph 4 at 61. http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M096/K546/96546788.pdf

need for customer understanding and choice. Two of these principles are of particular relevance to this ruling:

1. Principle 6. Rates should be stable and understandable and provide customer choice.
2. Principle 10. Transitions to new rate structures should emphasize customer education and outreach that enhances customer understanding and acceptance of new rates, and minimizes and appropriately considers the bill impacts associated with such transitions.

As part of the shift to default time-of-use (TOU) rates, Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE, and collectively with PG&E and SDG&E, the investor-owned utilities (IOUs)), are subject to several legal requirements regarding bill comparisons.

Section 745(c)(5) of the California Public Utilities Code requires that as part of default TOU each customer be provided with an annual "summary of available tariff options with a calculation of expected annual bill impacts under each available tariff." D.15-07-001 contains an expanded bill comparison requirement: IOUs must send bill comparisons to customers twice per year beginning in 2016.

D.15-07-001 found that this type of bill comparison is essential for customers to understand their rates and rate options. In addition, these bill comparisons will play a role in developing an appropriate tariff option summary for compliance with the statutory requirement in Section 745.

D.15-07-001 did not address the details of the content and timing of the bill comparison mailers. The process of developing these details began in fall 2015, with the formation of the Marketing, Education and Outreach (ME&O) working group pursuant to D.15-07-001.

D.15-07-001 authorizes the assigned Administrative Law Judge and Commissioner to take all procedural steps to promote the objectives in D.15-07-001, including the rate design principles. In early 2016, the IOUs were asked to file supplemental information regarding their plans for the bill comparisons. The IOU filings made on April 15, 2016 (April 2016 Filings) raised a number of issues and concerns about the bill comparisons.

2. Bill Comparison Requirements

The April 2016 Filings set out IOU concerns about the schedule and format of the bill comparisons. The IOUs' first concern was the challenge of mailing two bill comparisons in 2016. By e-mail ruling, the IOUs were instructed that only one bill comparison is necessary for 2016.

The second primary concern was the potential for confusion and negative customer reaction regarding the currently available rate schedules. D.15-07-001 set forth a gradual glidepath for flattening the existing tiered rate structure before moving to default TOU rates. At this time, we are near the beginning of the glidepath and the default TOU rate has not yet been designed. As SCE states, this could "negatively taint customers' impressions of TOU pricing before larger-scale default TOU begins." (SCE April 2016 Filing; see also SDG&E April 2016 Filing.)

In its April 2016 Filing, SCE cited two policy objectives for paper bill comparisons. The first is to "encourage customers who today would benefit on TOU rates (with or without modifying their usage behavior) to opt into the appropriate plan and begin realizing benefits immediately." The second is to "begin educating customers about how adjusting their usage would ease the transition to future default TOU rates." These policy considerations are the basis for SCE's proposed approach to bill comparisons. In addition, SCE suggests that the bill comparisons could be used as a vehicle for high-level education about the difference between TOU rates and tiered rates, "emphasizing the concept that when one consumes energy is as important as, or more important than, how much one consumes." (SCE April 2016 Filing at A-3.)

SCE proposes a test-and-learn approach that would begin with 100,000 paper bill comparisons in the fall of 2016 to a representative cross section of its residential customers who are currently served on tiered rates. SCE proposes to test three different customer segments:

- Benefitting customers, with a personalized rate analysis encouraging them to switch their plan to the schedule where they are likely to see a benefit;
- Neutrally impacted customers, with personalized tips and solutions to educate them about shifting usage to lower-cost times; and
- Non-benefiting impacted customers, where SCE will begin the education process about TOU versus tiered rate pricing, and emphasize that customers have options. (SCE April 2016 Filing at A-9.)

PG&E proposes that the series of bill comparisons start at a general educational level and become more specific. PG&E states this approach was used successfully to transition its small and medium commercial customers to mandatory TOU rates. (PG&E at 4.) "Communications started with a general educational conversation about rates, progressed to information about simple behavior changes that can help with achieving savings on TOU rates, and ultimately advanced to targeted outreach that included tailored and specific tips for customers to use to manage their peak period energy use." (PG&E at 4-5.) As proposed, all of PG&E's bill comparisons would also include an annualized monetized bill impact comparison. (PG&E at 5.)

PG&E proposes to further refine the initial mailers by only sending the first mailer to a test population of less than 50,000 customers. This would allow PG&E to gain a better understanding of customer response to this type of rate comparison mailer, while minimizing initial operational impacts. PG&E notes that it has not previously implemented a personalized residential rate marketing campaign of this magnitude. PG&E specifically proposed distributing the bill comparison with the customer's bill or energy statement.

SDG&E's situation is unique. Because SDG&E currently has a significant change to its TOU periods pending in its general rate case phase 2, SDG&E asks to defer sending its first bill comparison. If approved, SDG&E's TOU peak periods would change from 11 a.m. – 6 p.m. in the summer and 5-8 p.m. in the winter, to 4-9 p.m. in both seasons. SDG&E is concerned that such a major change in TOU periods coming shortly after a bill comparison mailer will confuse customers. A decision is not expected in the SDG&E rate case until February 2017. (*See* Application 15-04-012 April 19, 2016 Scoping Memo.) Because SDG&E's proposed TOU period change is so materially significant, it is reasonable to wait until new TOU periods are set before starting bill comparisons.

SDG&E proposes to send its first bill comparison in 2017 to a subset of eligible residential customer population of no more than 25 percent, or approximately 225,000 customers using a test-and-learn approach. The fall 2017 mailer would be sent to all eligible customers.

PG&E and SDG&E also proposed specific eligibility and exclusions for the bill comparison. For example, SDG&E would exclude accounts with less than 12 months of billed data and non-bundled customers. PG&E would exclude customers on "complex NEM tariffs." Determining exceptions to the bill comparison requirement is an important issue that needs to be carefully evaluated in this proceeding. This ruling provides interim guidance. Until this issue is fully addressed in this proceeding, the three IOUs are permitted to exclude the customer groups identified by PG&E and SDG&E, and may make reasonable changes to this list of excluded customers after consulting with Energy Division staff.

In their April 2016 Filings, the IOUs also sought clarification and guidance on delivery requirements. All three IOUs recommend not sending billing comparisons during the busy holiday season (November – December) or at the beginning of the summer. The IOUs would like to deliver the bill comparisons over a period of several weeks to avoid overloading customer call centers. As indicated in prior rulings, the semi-annual bill comparisons required by D.15-07-015 should be approximately six months apart. Based on this, the optimal times for the bill comparisons are March/April and September/October. This approach is reasonable and meets the requirements of D.15-07-015.

This ruling also clarifies that the bill comparisons should be delivered in the manner requested by the customer. If a customer has requested not to receive hard copy mailings, the IOU should use the alternative delivery method (presumably e-mail) that has been agreed to by the customer. As all three IOUs noted, sending paper mailings to customers who have specifically requested not to receive paper mailings is counter to common sense and to Commission policies.

Generally, the concerns and solutions proposed by the IOUs are reasonable. This ruling allows the IOUs to adopt an approach to bill comparisons that starts with limited mailings that focus on educational messages in 2016, followed by a rollout to all eligible customers and increasingly specific messaging. By 2018, bill comparisons should be in a format that will fulfill the statutory requirements of Section 745(c)(2). This approach will limit customer confusion during the early glidepath period, will allow for test-and-learn, and will allow time to align bill comparisons with the ME&O Plans due November 1, 2016 before rollout.

The Commission is interested in learning about the ability of the bill comparison mailers to increase customers' awareness and understanding of rate options. The IOUs conducted research in early 2016 to establish baseline measures of these metrics. The IOUs should conduct follow-on research to see if the bill comparison mailers have an impact on these same metrics. In order attribute increases (or decreases) to the bill comparison mailer, the IOUs will each need to survey both customers who received and didn't receive the mailer. The IOUs may wish to consult with Energy Division on design of these surveys. Each IOU should include its proposed bill comparison impact survey in its ME&O plan.

Based on the foregoing, the following guidelines are adopted for the IOU bill comparisons:

1. The first bill comparison shall be delivered in fall 2016 for SCE and PG&E, and spring 2017 for SDG&E.
2. The first bill comparison can be delivered to all or a representative subset of customers, with a minimum of 100,000 for SCE and PG&E, and 50,000 for SDG&E.
3. The first delivery may exclude the customer groups identified in the PG&E and SDG&E April 2016 Filings.
4. The first deliveries can be sent on the schedules proposed by the IOUs in their respective April 2016 Filings.
5. The first deliveries may emphasize rate education rather than individual customer bill comparisons. For

example, PG&E's April 2016 Filing provides details of such a strategy and SCE suggested a segmented approach.

6. The bill comparison can be, but is not required to be, delivered as part of the customer's regular monthly bill or energy statement.
7. For customers who have requested not to receiver paper bills or mailings, the bill comparisons should be delivered via e-mail (or in such other format as the customer and IOU have affirmatively agreed on). References to mailings or paper bill comparisons are hereby deemed to include other delivery methods agreed to by the customer. However, paper bill comparison mailings should be used unless the customer has affirmatively opted for a different delivery method.
8. To ensure that customers without internet access are able to easily follow up on the bill comparison, the bill comparison must include a customer service phone number.
9. The IOUs should use a test-and-learn approach and be cognizant that future bill comparisons will need to align with the ME&O plans due November 1, 2016.
10. The IOUs should study the effectiveness of the bill comparisons to increase customer understanding of rate options.
11. Each IOU should include the details of its bill comparisons in its quarterly Progress on Residential Rate Reform (PRRR) report. The PRRR report should include information such as sample bill comparisons used to communicate with customers via mail and e-mail; number of mailings sent by mail and e-mail; and impacts on customer call centers.

3. Plan for Engagement with New Customers

Customer education and choice is an important part of the Commission's decision to reform residential rates. At workshops throughout this proceeding, parties and Commission staff have examined different approaches to educating customers about their rate options. In D.15-07-001, the Commission referred several times to the need to offer a menu of rate options.

One strategy used by some other utilities to educate customers about rates and encourage adoption of time-varying rates is to discuss rate options when new customers establish service. For example, Arizona Public Service Company uses customer services scripts that encourage new customers to choose the rate plan that is best for their expected pattern of electricity use.

New customers represent a significant subset of customers. PG&E estimates its "average residential move rate" at approximately 20 percent. When customers move and establish, or re-establish, electricity service, they should have the opportunity to learn about rate options including which rate options are likely to match their expected electricity use.

To ensure that new customers are being educated about their options, this ruling directs the IOUs to develop a detailed plan for engaging with customers to help them understand their rate options when they establish, or re-establish, service. This detailed plan, along with sample customer service scripts, should be included with the ME&O plans due on November 1, 2016.

The IOUs may wish to discuss the content of the scripts in one of the working groups. The customer service scripts may be a topic for the November 2016 Residential Electricity Rate Summit.

IT IS SO RULED.

Dated July 22, 2016, at San Francisco, California.

/s/ RICHARD SMITH for
Jeanne M. McKinney
Administrative Law Judge